United Nations E/2008/SR.12

Economic and Social Council

Provisional

1 August 2008

Original: English

Substantive session of 2008
High-level segment

Provisional summary record of the 12th meeting
Held at Headquarters, New York, on Monday, 30 June 2008, at 9 a.m.

President: Mr. Mérorès ..... (Haiti)

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08-40538 (E)

The meeting was called to order at 9.15 a.m.

Opening of the session

1. **The President** declared open the substantive session of 2008.

Adoption of the agenda and other organizational matters (E/2008/9/Add.14, E/2008/82, E/2008/ 87, E/2008/100, E/2008/L.5, E/2008/L.6 and E/2008/CRP.1)

2. *The provisional agenda, as contained in document E/2008/100, was adopted.*

3. **The President** drew attention to the proposed programme of work for the substantive session of 2008 (E/2008/L.5) and details of the status of documentation for the session (E/2008/L.6) and (E/2008/CRP.1).

4. *The proposed programme of work was adopted.*

Requests from non-governmental organizations to be heard by the Economic and Social Council

5. **The President** drew attention to the requests from non-governmental organizations for hearings before the Economic and Social Council, contained in document E/2008/82. At its resumed 2008 session, the Committee on Non-Governmental Organizations had decided to recommend that the organizations mentioned in document E/2008/82 should be heard under the agenda items indicated therein. If there was no objection, he would take it that the Council wished to adopt the Committee's recommendation, contained in paragraph 2 of that document.

6. *It was so decided.*

Statement by the President

7. **The President** said that for the first time, the Council was operationalizing all the new functions mandated by the 2005 World Summit.

8. Rising food and fuel prices, the deepening credit crisis, persisting global imbalances and the declining growth of the world economy, compounded by the disruptive effects of climate change, posed a serious threat to efforts to reduce poverty and achieve internationally agreed development goals, including the Millennium Development Goals (MDGs). The challenges for the developing countries, and especially the least developed among them, were even more serious. Some of them were already falling behind the schedule for achieving the Goals and could face turmoil unless urgent, collective action was taken.

9. Many island States might cease to exist unless the consequences of global warming, particularly rising sea levels and increasingly frequent and serious natural disasters, were addressed. The growing realization that mitigation and adaptation measures were needed must be supported by concerted, collective action; negotiations on post-2012 arrangements provided an opportunity to launch such action and to enhance financing for developing countries' adaptation efforts. It was more important than ever to put into practice the concept of sustainable development, which integrated economic growth, social development and protection of the environment.

10. Despite increasing awareness of long-term sustainability problems, there had been no significant movement on issues such as climate change, deforestation, biodiversity and desertification. The annual ministerial review should contribute to the effort to promote collective solutions, including by strengthening governance and global cooperation, creating markets for sustainable development, increasing financial assistance and promoting the transfer of technology. The current sectoral approach to the pursuit of development goals would not suffice to meet the threats posed by climate change; national governments, as well as the United Nations system, must develop integrated approaches that placed the issue of sustainability at the centre of development strategies. He urged the Council to send the unequivocal message that if development was not sustainable, it was not attainable and to call for determined action.

11. He congratulated the Governments of Belgium, Chile, the United Kingdom, the United Republic of Tanzania, the Lao People's Democratic Republic, Luxembourg, Kazakhstan and Finland for volunteering to make voluntary presentations during the annual ministerial review, which might be the first occasion on which developed and developing countries reviewed their efforts to reach the internationally agreed development goals and to explore ways of addressing delays in implementation. That partnership was a key to success, and both groups of countries must assume their obligations in the collective pursuit of prosperity for all through strengthened global cooperation. The West Asian regional consultation hosted by Bahrain had produced recommendations for action on sustainable urbanization. By drawing on such

consultations and on country-level assessments, the annual review would help to bridge the gap between the agreed targets and the current state of progress towards them and to promote integration of the three elements of sustainable development.

12. At a time of growing uncertainty regarding the timely achievement of the MDGs, the Development Cooperation Forum was uniquely placed to facilitate policy dialogue among a wide range of development actors and to be a leading venue for inclusive global dialogue and policy review on key development cooperation issues. He wished to thank the Governments of Italy, Austria and Egypt for hosting, respectively, the Rome Stakeholder Forum, the Vienna High-Level Symposium and the Cairo High-Level Symposium in preparation for that event. The innovative modalities of cooperation established for the annual ministerial review and the Development Cooperation Forum had promoted interaction among all stakeholders, including civil society organizations, parliamentarians, local government and the private sector, in bridging the implementation gap. The e-discussions, civil society forum and innovation fair provided additional venues for the exchange of ideas and experiences.

13. The Council was becoming better equipped to assess progress on the ground and to encourage action at the national, regional and international levels. Its special meeting on the global food crisis, held at Headquarters from 20 to 22 May 2008, had shown that it could play an important role in highlighting immediate humanitarian needs while emphasizing the importance of long-term solutions. Similarly, the special event on "Achieving the MDGs and coping with the challenges of climate change", held on 2 May 2008, had brought together leading experts to explore the nexus between climate change and development. Those preparatory meetings, coupled with discussions during the substantive session, would lay a strong foundation for the Third High Level Forum on Aid Effectiveness, to be held in Accra from 2 to 4 September 2008, and for the Follow-up International Conference on Financing for Development, to be held in Doha from 29 November to 2 December 2008.

Address by the Under-Secretary-General for Economic and Social Affairs, speaking on behalf of the Secretary-General of the United Nations

14. **Mr. Sha** Zukang (Under-Secretary-General for Economic and Social Affairs), speaking on behalf of the Secretary-General of the United Nations, said that a critical juncture in implementation of the United Nations development agenda had been reached. The fragile state of the major developed market economies, persistent global imbalances and soaring commodity prices were slowing the growth of the global economy. The past year's turmoil was a reflection of systemic weaknesses in global financial markets; rising food and energy prices had a severe impact on poor and otherwise vulnerable people; and climate change and the deterioration of the natural environment, if not addressed in a timely, adequate manner, could reverse progress towards the development goals.

15. For some time, there had been concern that globalization was leaving behind the poorest communities; now, even the middle classes were beginning to feel the effects of a more insecure world. No social or economic order could be secure if it failed to benefit the majority of those who lived under it. Currently, the wealthiest 400 citizens, as a group, commanded more resources than the poorest billion inhabitants, yet a severe backlash against globalization could seriously limit the opportunities and benefits of a more closely integrated world. However, challenges also offered opportunities. Leaders, economists and bankers were seeking short-term remedies to avoid financial meltdown and long-term solutions to systemic inadequacies. Only by engaging all key actors in the effort to redress the woes of the global economy could a more robust financial system emerge from the credit crisis.

16. The Secretary-General was heartened by the collective efforts to deal with the food crisis, including those of the Commission on Sustainable Development, and had established the United Nations Task Force on the Global Food Crisis in April 2008. The crisis had laid bare the need for longer-term planning; a 50 per cent increase in food production by 2030 was needed in order to meet the rising demand. The situation provided a historic opportunity to revitalize agriculture, especially in developing countries where productivity gains had been slow in recent decades, and to help eliminate rural poverty by using small farmers as a key vehicle for achieving global food security. Long-term solutions should encourage the sustainable production and use of clean energy sources, more fuel-efficient technologies and changes in production and consumption patterns.

17. Unprecedented awareness of the challenges of climate change had increased public support for the

sustainable development agenda. The current session of the Council should make it clear that balanced economic growth, social development and environmental protection were key to the prosperity of humankind. Since the Millennium Declaration, all Governments had agreed to seek to manage globalization for the benefit of all. Countries needed flexible policies and institutions tailored to their changing domestic and external circumstances and their individual challenges, and greater global coherence in financial, trade, aid and investment policies should be sought.

18. The Development Cooperation Forum should become the principal venue for global dialogue and policy review on the effectiveness and coherence of international development cooperation. In his report on trends and progress in international development cooperation (E/2008/69), the Secretary-General had echoed the concern that the current aid effectiveness framework was not sufficiently responsive to development issues that cut across multiple sectors such as human rights, gender equality and environmental sustainability. The Forum should give due attention to those cross-cutting imperatives.

19. The Council had proved that it could spearhead a concerted effort to find pragmatic solutions to complex challenges. It had become an interactive forum where collective solutions to both common and individual challenges were discussed and debated. He welcomed the broad participation of parliamentarians, local governments and civil society and congratulated the countries that had volunteered to make national presentations during the annual ministerial review.

Keynote addresses on the theme: "Achieving sustainable development"

20. **Mr. Pachauri** (Chairman of the Intergovernmental Panel on Climate Change), making a PowerPoint® presentation, said that the global community was pursuing an unsustainable path with negative consequences for climate change that would only worsen in the future. The mandate of the Intergovernmental Panel on Climate Change was to assess on a comprehensive, objective and transparent basis the scientific, technical and socio-economic information relevant to understanding the scientific basis of climate change, its potential impacts, and options for adaptation and mitigation. The first drafts of its assessment reports were reviewed by experts; governments and experts then reviewed the second draft of each report, together with the draft summary for policymakers; and, lastly, the revised draft summary was reviewed word-for-word by governments. The Panel's fourth assessment report (2007) had been prepared with the help of 450 lead authors, 800 contributing authors, 2,500 scientific expert reviewers and over 130 countries. All comments received were logged, together with a notation of whether they had been accepted; if they had been rejected, the reasons were also noted.

21. The Panel had estimated the aggregate costs of climate change impacts. For example, if carbon dioxide concentrations were doubled, the cost would amount to between 1.5 and 20 per cent of GDP; the real social cost of carbon would rise by 2 to 4 per cent per year (US$ 10-350 per ton of carbon). The variation between studies in that area was a consequence of uncertainties in climate sensitivity, discount rates and valuation of impacts. The aggregate estimates masked significant differences across sectors and regions, but the Panel was satisfied that its fourth report gave clear estimates of the physical and biological costs and impacts related to temperature changes in the future. It also included regional information, since the effects of climate change were not uniform; the arctic region was warming twice as rapidly as the rest of the world. It was also difficult to estimate the monetary costs of human, social, cultural and environmental impacts.

22. Unless prompt action was taken, 1.2 to 3 billion people worldwide would experience increased water scarcity by 2080; crop revenues could fall by 90 per cent in some parts of Africa by 2100; between 20 and 30 per cent of species could be at risk of extinction if temperatures increased by 1.5 to 2.5 degrees Celsius; floods, droughts and heat waves would become more frequent; and, if the polar ice sheets collapsed, such changes could be abrupt and irreversible.

23. Unless urgent greenhouse gas mitigation measures were taken, large portions of the world would become severely or extremely vulnerable by 2100. Various stabilization scenarios were possible. If the global mean temperature increased by 2 to 2.4 degrees Celsius, carbon dioxide levels would have to peak by 2000 to 2015, then decline rapidly, in order to achieve a carbon dioxide stabilization level of 445 to 490 parts per million. If those levels did not peak until 2020 to 2060, the stabilization level would rise to 590 to

710 parts per million and a mean temperature increase of 3.2 to 4 degrees could be anticipated.

24. The average cost of stringent mitigation worldwide would require a slowing of global GDP growth by less than 0.12 points; moreover, mitigation had benefits such as increased energy security, lower levels of air pollution, jobs in new technological fields and improved public health, that could offset a substantial fraction of mitigation costs. Owing to the inertia of the current climate and socio-economic systems, mitigation efforts were needed in the short term. All the stabilization levels assessed could be achieved by deploying technologies that were currently available or were expected to become so in the coming decades. Between 60 and 80 per cent of greenhouse gas reduction could come from energy supply and use and industrial processes. Significantly decarbonizing power production would require incremental investments of up to US$ 40 billion a year globally and US$ 30 billion a year in countries outside the Organization for Economic Cooperation and Development (OECD). Those costs would be offset by reduced investment requirements resulting from improved end-use energy efficiency. A global increased investment of US$ 2.4 trillion in improved efficiency would be more than offset by US$ 3 trillion savings in energy supply investments; thus, those options were viable and should be pursued as quickly as possible.

25. Both adaptation to the impacts of climate change and promotion of sustainable development had common goals and determinants: access to resources and equity and to risk-sharing mechanisms, stocks of human and social capital and institutional capacity. It was vital to involve local communities, which bore the primary impact of climate change and could be instrumental in putting solutions in place. Economic growth often took precedence over social and economic issues, but appropriate policies were key to improved sustainability and adaptive capacity. Committing to alternative development paths required major changes in economic structure, such as broader use of public transport systems and the introduction of more efficient fuels; better geographical distribution of activities through increased urbanization; new consumption patterns and lifestyle changes; and demographic shifts.

26. There was increasing recognition of a shift towards more inclusive governance, through the cooperation of all stakeholders (government, the private sector and civil society) and the linking of policies for climate change, economic development, health, employment, energy security and the local environment with a view to sustainability.

27. One quarter of the world's people had no access to electricity; 33 per cent of those people lived in India. It would take many years to provide traditional power to the world's most remote communities, but solar lanterns were a solution that could save electricity and kerosene and mitigate carbon dioxide emissions. Through the Lighting a Billion Lives Campaign, implemented in the Gobindarampur region of India, a group of women ran and maintained a system in which the lanterns were charged during the day and then rented to their neighbours at a daily cost of about US$ 0.11 for use in betel leaf cultivation, coaching centres and shops.

28. **Lord Stern** (Author of the Stern Review), making a PowerPoint® presentation, said that climate change and development were the two greatest challenges facing the world in the twenty-first century. They were also inextricably linked: climate change, if mismanaged, could undermine or even reverse development, and development was necessary before the issue of climate change could be adequately addressed. The targets indicated in his presentation should not be understood as traditional, aspirational targets, but firm ones that, if missed, would result in irreversible changes.

29. It was feasible to stabilize atmospheric greenhouse gas concentrations at 500 parts per million (ppm) of carbon dioxide equivalent; if, however, concentrations continued to rise at the current rate, by the end of the twenty-first century the atmosphere would contain over 750 ppm of carbon dioxide equivalent. If that in turn led to an increase of 5 degrees Celsius over time, there would be drastic, planet-transforming consequences, including massive migration. Furthermore, if climate change went unchecked, it would undermine the world food and energy supply. The economic cost of continuing the current trend of greenhouse gas emissions was somewhat difficult to model, as it involved making many assumptions. Nevertheless, on average, the cost of inaction was predicted to be 5 to 20 per cent of national income, compared to the cost of taking action, estimated at just 0 to 2 per cent of national income.

30. It was crucial to cut emissions by half by the year 2050; waiting would only cause the stocks of greenhouse gases in the atmosphere to accumulate, thereby increasing the difficulty of action when finally taken. The Stern Review had concluded that the world could stabilize below 550 ppm carbon dioxide equivalent for around one per cent of GDP, or around 2 trillion dollars a year; stabilization at 500 ppm would cost around 2 per cent of GDP. It was of the utmost importance to start planning now, with clear targets and effective policies, as delayed action and bad policy would only increase costs. Good policy involved commitment by all countries, rich and poor; a broad range of technologies; extensive use of the price mechanism; and support of technological development and sharing. In that connection, the power of the markets must be harnessed in order to achieve the least costly method of change. Political will was essential to all action.

31. One of the key elements of a global framework for addressing the issue of climate change was follow-through on the commitments made at the Group of Eight Summit in Heiligendamm to cut 50 per cent in world emissions by 2050, with rich countries aiming to slash at least 80 per cent. While the primary responsibility for stabilizing emissions lay with rich countries, the fact that the vast majority of people living in the world in 2050 would be from developing countries meant that the latter countries would largely determine the emissions situation in 2050. Credible plans to reach a cap of two tons per capita by 2050 required peaking before 2030. Rich countries must take the lead and not only cut emissions drastically, but also open up cap-and-trade schemes to the world in order to help the flow of funds to developing countries.

32. With regard to the funding of a global framework on climate change mitigation, strong initiatives were needed on deforestation to prepare for inclusion in carbon trading. Global action and a strong role for financial institutions were crucial in that process. Also, the world needed to learn how to use carbon capture and storage technologies quickly and more effectively. Finally, rich countries needed to deliver on Monterrey and Gleneagles commitments on official development assistance in light of the unforeseen additional costs of development arising from climate change. It was crucial to reach an equitable global deal on climate change at the upcoming Climate Change Conference in Copenhagen, but individual country action must not be delayed until the framework was fully in place.

33. **Mr. Akram** (Pakistan) said that, faced with an immediate need to eradicate poverty, developing countries experienced difficulty in simultaneously addressing the issue of climate change. Thus far, no model had provided an answer. Models combining high growth and climate-friendly policies would have to be built by developing countries themselves on a case-by-case basis, and then combined to develop a global model. Even that task required rich countries to deliver first on the already agreed international development commitments and goals. However, in the follow-up to the Bali process, rich countries had attempted to sideline development concerns by focusing on a shared vision for the future. Such a vision was impossible if they did not first deliver on their commitments.

34. A political will and commitment were crucial to achieve a global model. He doubted whether carbon trading was the ideal way to finance reductions in emissions and suggested looking for other solutions. Technology for the development of carbon-friendly policies was not available to developing countries and there were no assurances that future technologies would be available to them either.

35. **Mr. Khan** (Indonesia) said that the situation was deteriorating far more quickly than had been previously expected. Furthermore, developing countries were ill-equipped to confront the effects of climate change. Linking funding of climate change mitigation initiatives to the market was not sufficient. He wondered what other viable options existed, particularly for developing countries, and how regional funding could be obtained to address climate change without jeopardizing existing commitments for development.

36. **Ms. Freudenschuss-Reichl** (Austria) noted that the transformation of energy systems played a key role in linking policies on climate change, economic development, health, employment and local environment. She drew attention to the work on global energy assessment being done at the International Institute for Applied Systems Analysis.

37. She would welcome information from both keynote speakers on how the international community might support regional work on mitigation most effectively and on any geographic or thematic priority areas in that work.

38. **Mr. Ashe** (Antigua and Barbuda) noted that both presentations had emphasized the importance of international collaboration to address climate change. He wondered whether Mr. Pachauri, who had participated in a number of international conferences where the gravity of the situation had been pointed out, detected a collaborative spirit that might help bring about the required solutions.

39. Turning to the presentation made by Lord Stern, who once again made a compelling case for the need to act, albeit one that relied on markets for the solution, he enquired whether there was any possibility of fixing the markets. Lord Stern's apportionment of responsibility between developed and developing countries did not take into account the progress that might have been achieved if the developed countries had immediately begun to take the action that had been suggested in 1992.

40. **Lord Stern** (Author of the Stern Review) said that there was a great deal of information currently available on how to combine rapid growth in developing countries with a low-carbon model. A variety of low-carbon electricity sources existed, such as wind, solar, nuclear and geothermal. As those means of generating electricity were more expensive than traditional coal, there was a need for rapid development of new technologies and international efforts to bring down their costs. In addition, new technologies would have to be primarily funded by the public sector. The market would play a significant role by providing incentives to apply those technologies.

41. He expressed the hope that enough funds would be available for climate change without jeopardizing existing commitments for development. Rich countries must first deliver on the official development assistance (ODA) promised through 2015, and global commitments beyond 2015 would have to factor in climate change to an unprecedented extent.

42. Fixing of the markets could be negotiated in the sense of putting together international cap-and-trade trading schemes, which would require collaboration. The European Union emissions trading scheme provided a model, and more information would become available as other models were developed.

43. Regarding the division of responsibility, he preferred to consider the issue in terms of targets for each country. While the solution that he had offered, which called for 80 per cent of the cuts to be made by rich countries and for a target of 2 tons per capita in poor countries, by 2020 at the latest, did not factor in the history, it represented the minimum as far as equity was concerned. Furthermore, if rich countries would agree to 80 per cent cuts and there was a strong development of technology and markets that allowed for financing, significant progress could be achieved and some of the history could be factored in at a later date.

44. **Mr. Pachauri** (Chairman of the Intergovernmental Panel on Climate Change) said that the difficulty of finding a low-carbon model of growth that made poverty eradication possible stemmed from the fact that the world knew only the model of development that had emerged from the developed countries. Furthermore, that model had evolved at a time when energy prices had been very low and when the countries adopting it had been, for the most part, in control of energy resources. Since then, energy markets had changed dramatically and resources were growing increasingly scarce. North-South cooperation was needed to devise a model of development that was less dependent on energy use, fossil fuel use in particular. In the meantime, developing countries should be given leeway to increase their fossil fuel consumption and emissions. He also drew attention to the importance of South-South intellectual cooperation on promoting sustainable development at the local level, by combining low-cost, low-energy resource choices and use of the most advanced technologies available in the developed world.

45. The market would not be able to finance adaptation. Resources must be made available to provide protective infrastructure to vulnerable areas, such as small island States imperilled by rising sea levels. Not even the richest country in the world would be insulated from the impact of such devastating changes. The fact that the Norwegian Nobel Committee had awarded the Nobel Peace Prize to IPCC and Senator Al Gore clearly indicated the link between climate change and the maintenance of peace; therefore, that dimension of the problem must also be addressed, and every country had both a moral and a self-serving responsibility to do so.

46. Any regime agreed in Copenhagen should place an appropriate price on carbon. There too, assistance should be provided to developing countries, some of which had no means to finance the little — mostly imported — energy they consumed. The global

community should take seriously the inescapable necessity of increasing development assistance in order to address the threat of climate change.

47. The collaborative spirit that had prevailed among developed and developing countries in 1992, when the Framework Convention on Climate Change had been adopted, had dissipated because the developed countries had not done what was expected of them. Once the countries that had the means, the capacity and the historical responsibility for the problem made a strong commitment to lead, as urged in the Convention, the developing countries would do their part to the extent possible.

The meeting was suspended at 11.10 a.m. and resumed at 11.23 a.m.

High-level policy dialogue with the international financial and trade institutions on current developments in the world economy

48. **Mr. Sha** Zukang (Under-Secretary-General for Economic and Social Affairs, Moderator) said that, in the climate of global insecurity, the current meeting was an opportunity to understand the challenges and develop a collective response. The deregulation of trade and financial markets had unleashed new economic activity, but had also unloaded risks and strains onto individuals and households, which were often insufficiently supported by social protection or adequate regulatory frameworks. That situation had been compounded by other threats such as climate change and the global food security crisis.

49. The current *World Economic and Social Survey* had found that a more active policy response was needed to help communities and countries manage the new manifestations of economic insecurity. Increased investment, particularly by the public sector, was essential to mitigate the adverse impact. More universal social policies were also required, in order to strengthen the underlying social contract that was the basis of a stable and just society. Moreover, the slowdown in the world economy risked extending to developing countries, where rising costs had already triggered social and political unrest, jeopardizing the Millennium Development Goals.

50. Global consensus and multilateral action were therefore essential if a global recession and a disorderly adjustment of the global imbalances were to be avoided. Such action should include a stimulus package focused on expansion of domestic demand in surplus countries; policies to support a gradual rebuilding of savings in deficit countries; and measures to stabilize global currency markets and financial markets at large.

51. In order to address the food crisis, the immediate priority was to scale up international resources to meet humanitarian and emergency needs. However, urgent long-term action was also required. There was a need to increase investment across a range of areas, particularly in developing countries, to boost agricultural productivity. Better compensatory financing mechanisms should also be put in place: the report of the Committee for Development Policy had noted that it was critical to provide adequate liquidity and budget support to the poorest countries. Lastly, aid commitments needed to be fulfilled; however, aggregate aid flows from the Organisation for Economic Co-operation and Development had fallen over the previous two years. Conditionality attached to those aid flows should be limited and streamlined.

52. **Mr. Panitchpakdi** (Secretary-General of the United Nations Conference on Trade and Development) said that the previous five years had seen robust growth. However, that period was coming to an end, and the rapidly shifting situation required global, regional and national action. Seven areas deserved attention in order to develop appropriate tools to address the situation.

53. First, the current situation, unlike the oil crisis of the 1970s or the financial crisis of the late 1990s, was marked by a confluence of discrete crises that appeared to call for conflicting policies. Individual countries would not be able to cope; a clear vision, a plan for short-term action and a long-term global development strategy would all be necessary.

54. Second, a final push was needed in order to achieve a breakthrough in the Doha Round of negotiations by 21 July. The Director-General of the World Trade Organization had said that there was over a 50 per cent chance of success. It was unclear what would happen in the event of failure.

55. Third, the spin-off effect of the subprime mortgage crisis was also unclear. It was not certain that regions such as Asia could be shielded from the crisis, or indeed whether worse was still to come.

56. Fourth, fund flows from developing countries to advanced ones gave cause for concern. The same was true of the accumulation of sovereign wealth funds, which could help address the crisis by investing in ailing financial institutions in developed countries, but also risked having a disrupting effect. Such funds could be directed to benefit developing countries that had been subjected to volatilities.

57. Fifth, a global commitment to tackle inflation was required. Figures from the European Central Bank indicated that inflation had reached the highest level of the previous sixteen years. The situation of advanced economies appeared to be less serious than it had been in the 1970s, and wages were not spiralling. On the other hand, inflation in eleven of the major Asian economies weighted by GDP had doubled in the previous decade. The problem was compounded by the need to reduce energy subsidies and by the dilemmas of exchange rate policy.

58. Sixth, the rise in energy prices had not yet been adequately explained. Changes in supply and demand, the depreciation of the dollar and perhaps speculative moves in the futures market were all possible causes.

59. Seventh, it was important to find long-term solutions to the issue of food security. Many had called for another green revolution. However, seeds alone were of little use without water, management, transportation and so on. The question of genetic modification of seeds would also require discussion. It had been suggested at the recent High-level Conference on World Food Security in Rome that agricultural land could be used either for food or for biofuels, but the two were not mutually exclusive.

60. In order to address those issues, he called for market mechanisms to be strengthened and supplemented with effective global governance, and for States to play a more active role in development. Speculation alone should not be blamed for the current situation. The economist Paul Krugman had pointed out that tighter regulation of futures markets would not in itself bring back the era of cheap oil.

61. With regard to inflation, caution was necessary; the burden of a declining economy meant that demand management could result in over-adjustment. Nevertheless, the developing countries where inflation was highest should adjust their monetary policies in order to encourage savings-oriented behaviour.

62. With regard to agricultural development, the United Nations Secretary-General had emphasized three areas of action: delivery of food aid over a period of 18 months, and replenishment of the United Nations Central Emergency Response Fund; the lifting of restrictions on humanitarian food supplies and cutting of subsidies in developed countries; and an increase in development assistance from 3 to 10 per cent, without diverting funds from education or health. It was also important to continue the research that had led to the 1998 corn revolution in Africa.

63. Lastly, he called for a global strategy to prevent rises in oil prices; for the completion of the Doha Development Agenda and capacity-building through aid for trade; and for the poverty reduction strategy to be revisited so as to maintain the macroeconomic policies that least affected the poorest sectors of the economy.

64. **Mr. Portugal** (Deputy Managing Director, International Monetary Fund) said that the global economy was slowing in the wake of financial dislocations and the effects of soaring commodity prices on global demand. However, global activity seemed more resilient to the financial shock than IMF had originally projected. Although actual growth in the first quarter of 2008 had been stronger than anticipated, a protracted slowdown of global growth was still expected for the remaining quarters of 2008 and for 2009.

65. Growth in the United States had fallen below 1 per cent in each of the previous two quarters, and it was likely to slow in the eurozone, despite a first quarter stronger than IMF had anticipated. Japan's GDP had also grown faster than anticipated in the first quarter, but domestic demand was likely to weaken owing to higher food and fuel prices and slower wage growth. In emerging and developing markets, growth was projected to moderate only modestly in 2008 and 2009, because of robust domestic demand and the strong growth of export receipts in some commodity exporters.

66. Overall, the outlook for the global economy was better than expected. There were, however, three main downside risks. First, inflation risks, rooted largely in rising commodity prices, had accelerated and were a particular concern in some emerging economies. Second, while financial sector risks had moderated and markets had begun to stabilize, overall market

confidence remained fragile. Third, the shifting pattern of global imbalances was raising new concerns. As a result of the decline of the United States dollar in real effective terms, disproportionate adjustments in currencies of economies with flexible exchange rate regimes were producing new misalignments.

67. The task of responding to a cyclical slowdown and dealing with financial strains had been complicated considerably by the volatile behaviour of oil and other key commodity prices. Fiscal and monetary policy makers would need to respond flexibly to a re-emergence of financial strains, and work would be required to rebuild confidence and resilience in financial markets.

68. The world was facing serious challenges whose combined impact had far-reaching implications. Higher food and fuel prices were making it difficult for many developing countries to achieve the Millennium Development Goals and to decide which policies could be used to protect hard-won gains in poverty reduction. Choosing the right macroeconomic response was further complicated by other challenges created by the price increases. While higher fossil fuel prices reinforced the attractiveness of biofuels as an alternative energy source, arable land must not be reassigned from food production to biofuel production.

69. In an increasingly globalized economy, no country would be immune from the impact of price increases on global growth. The interrelated challenges must be addressed through the coordinated efforts of the international community and institutions, which should focus their work on all aspects of a complex global problem. Within the United Nations system, the Secretary-General's High-level Task Force on the Global Food Security Crisis and the MDG Africa Steering Group had brought together different actors in an effort to find solutions; IMF remained committed to playing a role in such collaborative efforts, which were more important than ever before.

70. **Mr. Lin** (Senior Vice President and Chief Economist, World Bank) said that, as previous speakers had noted, the world was facing high uncertainty and increased risks. Turmoil in financial markets, slowed growth in high-income countries and the rise of oil and food prices presented challenges to the growth prospects of developing countries. However, developing countries' resilience to date in the face of those challenges was due to four favourable factors: developing countries did not have large external imbalances or heavy short-term external debt, and they had substantial foreign reserves at their disposal, as well as healthy current account surpluses. Nevertheless, developing countries' growth was still projected to decline slightly, from 7.8 per cent in 2007 to a still relatively strong 6.5 per cent in 2008.

71. Growth of trade was projected to slow down, as were private capital flows to developing countries. The combined effect would force developing countries with large current account deficits to make macroeconomic adjustments. In addition, poor oil- and food-importing developing countries, hard hit by the rise in food and energy prices, would need extra resources to pay import bills. Moreover, price increases and strong domestic demand had caused inflation to rise in a number of countries; thus, continued price increases might gradually undermine the favourable factors that had underpinned developing countries' resilience. Preliminary World Bank estimates suggested that up to 105 million people could become poor because rising food prices had caused a decline in real incomes.

72. In that context, developing countries had to protect their most vulnerable citizens in a fiscally responsible way, by expanding social safety nets to provide targeted income support. Furthermore, the international donor community should act to meet countries' immediate humanitarian needs and to strengthen their social safety nets. Over the long term, it was necessary to increase investment in infrastructure and research in order to improve agricultural production; achieving an African Green Revolution should be a priority for countries in the region and their development partners. Developed countries must adopt a sensible biofuel policy that did not compete with grain for food, and all countries must work to improve energy efficiency, manage energy demand, and find new, cleaner, renewable energy supplies.

73. With regard to the MDGs, recent global economic developments and associated risks added to the challenges of achieving the eight targets. Thanks to robust economic growth over the previous years, the poverty goal was likely to be met at the global level, though the potential rise in poverty created new risks, and there were also serious shortfalls in fighting hunger and malnutrition. According to current trends, the human development MDGs were unlikely to be met. Large regional and national variations existed, but

most MDGs remained achievable for most countries if strong efforts were made by the countries and their development partners. The 2008 MDG midpoint provided a crucial opportunity for the international community to generate new momentum and agree on priorities for action.

74. The strategy to achieve the MDGs must focus on strong and inclusive economic growth, fostered by sound macroeconomic policies, a propitious private investment climate and good governance. Furthermore, the international community must accelerate progress towards the human development goals and commit more resources to key health and education programmes, also ensuring an improvement in the quality and equity of spending.

75. Environmental sustainability must be integrated into development work, particularly for the poor countries, which would suffer the most from climate change and were least able to adapt. Transferring technologies to developing countries for mitigation of carbon emissions required financial resources that should not be diverted from those resources allocated for previous commitments; new resources should be provided.

76. Achieving a successful outcome to the Doha Round of trade negotiations in 2008 was one of the most important steps that the international community could take to enhance inclusive and sustainable growth in developing countries. The current high food prices provided an opportunity to resolve the impasse on agricultural trade liberalization.

77. As regards financing for development, he stressed the need for donors to fulfil their aid commitments. Between 2004 and 2007, aid flows from Organisation for Economic Co-operation and Development-Development Assistance Committee (OECD-DAC) donors and aid to Africa had both increased by only one fifth of the targets. The emergence of new sources and modalities of aid posed new challenges; the Third High-Level Forum on Aid Effectiveness, scheduled for September 2008, would provide an excellent opportunity to discuss options for ensuring aid effectiveness and coherence. He also highlighted the role of private capital in meeting the large financing needs associated with the climate change agenda.

78. At Monterrey, the international community had agreed on a mutual accountability framework for development cooperation. Developing countries had promised to strengthen governance and improve the quality of their economic policies and institutions, and developed countries had agreed to support those efforts by increasing the quantity and quality of aid and to provide additional debt relief and greater market access. While progress had been made in debt relief, action with respect to aid and trade had lagged behind. The 2008 Follow-up International Conference on Financing for Development would therefore prove timely in revitalizing the mutual accountability framework as the MDG deadline approached.

79. The World Bank worked in close partnership with bilateral agencies and multilateral institutions to support the development agenda, and its programmes focused mainly on low-income countries, support to Africa, countries in vulnerable situations and on emergency response, including immediate and long-term responses to the food crisis. It sought to improve its responsiveness to the evolving needs of middle-income countries, many of which continued to face major development challenges. A further objective of the World Bank was to institute a strategic framework and strengthen investment mechanisms to address energy needs and the climate change agenda. The World Bank looked forward to consolidating its partnership with the Economic and Social Council in order to enhance convergence between the Council's political message and the Bank's comprehensive development focus.

80. **Ms. Rugwabiza** (Deputy Director-General of the World Trade Organization) said that, although the Doha Round could not provide immediate solutions to many of the current economic problems, there was no doubt that the successful conclusion of the Round would create the impetus necessary to put the international community back on the path to sustainable economic growth.

81. Progress in addressing the concerns of developing countries had been largely attributable to the revisions of the draft modalities for agriculture and non-agricultural market access (NAMA). Agreement on the elimination of all forms of export subsidies by 2013 would enhance the ability of developing and least developed countries to compete in a fairer, market-oriented agricultural trading system. In addition, developing countries stood to gain from reductions in domestic subsidies, since developed countries would make deeper cuts than developing countries. New disciplines would be strengthened and developed for

other forms of export support such as export credits, food aid and State trading enterprises. Through the NAMA negotiations, WTO members intended to further reduce the highest tariffs, which would provide flexibility for developing countries, generate new business opportunities in developed and developing countries and boost South-South trade.

82. However, there were still matters outstanding and the adoption of the modalities would represent progress. The WTO ministerial meeting scheduled for July 2008 was therefore expected to conclude agreements that would end trade-distorting support in agriculture and cut tariffs on agricultural and industrial goods, in preparation for the conclusion of the Doha Round at the end of 2008.

83. Clearly, there were some risks involved in holding such a meeting while members were still grappling with key issues, but the risk of inaction was even greater. Every possible attempt must be made to push the limits of flexibility and political will in striving for the early adoption of modalities. To that end, members must resolve the controversial points relating to both agriculture and industrial goods. The difficult issues were not insurmountable, given the necessary will. The urgency of completing the Doha Round was more acute than ever: development and investment, and especially the achievement of the Millennium Development Goals, were at stake.

84. In the midst of increased financial uncertainty, the WTO rules-based trading system provided an important source of economic stability for governments, business and consumers. Fairer and more competitive international trade would have the further benefit of lowering food prices. Such conclusions presupposed that trade-distorting agricultural subsidies that gave unfair advantages to rich farmers would be tackled and agricultural import tariffs lowered.

85. Developed countries and the larger developing countries needed to look beyond mercantilist gains and, more importantly, resist domestic protectionist pressures. Only then could the objective of restoring balance to the multilateral trading system in favour of development and poverty reduction be achieved.

86. **Mr. Ffrench-Davis** (Chairman of the Committee for Development Policy) said that external shocks tended to have a serious impact on developing economies, especially on overall growth. Their development potential was often underutilized and achievement of the MDGs delayed or impeded. A development-friendly international financial architecture was needed to provide adequate counter-cyclical official liquidity to low-income and middle-income economies that were adversely affected by external shocks. The urgent need to improve existing compensatory financing mechanisms and to design new ones had arisen from the dismal global economic outlook, and the fact that developing countries were quite vulnerable to an economic slowdown in developed countries. The need for action had also become more pressing as a result of major increases in the price of oil and foodstuffs, which had provoked social discontent in several countries.

87. Cushions of reserves and fiscal resources had created a buffer against external shocks, but high levels of reserves also represented a burden, mainly in terms of the opportunity cost of their diversion from investment. Official compensatory flows could play a crucial role in avoiding unnecessary or inefficient costs to developing countries by reducing the need for high levels of reserves and helping to avoid recessive adjustment. There had been excessive adjustments over the previous decade that had underutilized and discouraged potential development. In that regard, improved compensatory flows could potentially create effective protection for economic growth and the incomes of the poor.

88. Given the worsening global economic outlook, its implications for developing countries and the inadequacy of existing compensatory finance instruments, the Committee stressed the need for reforming the compensatory financing architecture to provide official liquidity and aid to developing countries that were negatively affected.

89. Special drawing rights could provide a significant increase in the availability of compensatory financing. Current prospects of diminishing economic activity and financial turmoil represented an appropriate context for the approved new allocation of special drawing rights, which should be completed as soon as possible.

90. **Mr. Steiner** (Executive Director of the United Nations Environment Programme) said that much of the current work of the United Nations Environment Programme addressed the sustainable development agenda and, by extension, the world economic outlook. Many of the issues under discussion related to essential elements of environmental change, use of natural resources and the way markets tried to rationalize

trends and predictions on the future state of the global economy in terms of access to resources. Many of the fundamental economic transformations taking place everywhere were indicative of long-term development trends that were inextricably linked to the investment patterns of various economies. He hoped that the Council's discussions would reconnect some of the strands of the debate on sustainable development.

91. Total investment in renewable energy worldwide had grown by 60 per cent, from 33 to 150 billion dollars between 2005 and 2007. Already, second quarter statistics for 2008 had shown that the upward trend was expected to continue. More than one fifth of new power generation in the global electricity system was due to investments in the renewable energy sector. That investment trend was relevant not only to developed economies, but also to developing countries where the trend had accelerated even more rapidly: China, India and Brazil alone had accounted for 22 per cent of the total share of investment in renewable energy.

92. Several speakers had highlighted the links between the response to the issue of climate change, sustainable development and the broader development agenda. In confronting the challenges posed by major economic transformations, and in responding to crises, risks and vulnerabilities, transformation must also be regarded in terms of sustainability, which called for more effective, efficient and intelligent use of available resources.

93. Transformative challenges should be understood not only as risks, but also as opportunities. The issue of climate change should no longer be reduced to a discussion on which countries could afford to respond or not, at least not in mitigation. In the adaptation sector, the search for credible answers was ongoing but in mitigation transformation of the energy mix and of the energy investment patterns of the next decades could fundamentally address the MDGs and the development agenda in the traditional sense.

94. Even with enormous infrastructure investments over the next twenty years, it would not be possible to reach the vast majority of people who were not already connected to electricity grids. Looking at the renewable energy sector was a prerequisite, not a luxury, in bringing about genuine change in the level of access to energy and electricity. The energy mix should be diversified in order to address overdependence on a few sources of energy. The international community should also strive to reduce the carbon footprint and encourage innovation and job creation, reduce the balance of payment pressure on economies in terms of oil prices, and reduce the pressure on future markets for hydrocarbons.

95. He appealed to national governments and international financing institutions to take a more proactive approach in facilitating investments along the lines that were already being signalled in the marketplace, but that were not being supported by a coherent policy framework and incentives.

96. The current economic downturn presented an opportunity for the international community to consider economic stimulus packages that viewed the energy sector from a different perspective. The United Nations Environment Programme and other agencies and programmes of the United Nations system, the World Bank and regional development banks could play a critical role in enabling investment and make a credible contribution to the efforts of developing countries to achieve the MDGs.

97. **Mr. Hackett** (Barbados) regretted that there was not sufficient time for members to discuss the many topics of interest that had been raised. He welcomed the high-level policy dialogue with the representatives of the international financial and trade institutions, and expressed the hope that there might be an opportunity for the members of the Council to have further interaction with the representatives of those institutions in the coming days.

The meeting rose at 1.15 p.m.

United Nations E/2008/SR.13

Economic and Social Council

Provisional

28 July 2008

Original: English

Substantive session of 2008
High-level segment

Provisional summary record of the 13th meeting
Held at Headquarters, New York, on Monday, 30 June 2008, at 3 p.m.

President: Mr. Merorès ..... (Haiti)

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08-40541 (E)

The meeting was called to order at 3:10 p.m.

Opening of the Development Cooperation Forum
(E/2008/69 and E/2008/CRP.2)

Opening statement by the President of the Economic and Social Council

1. **The President** said that in holding the first Development Cooperation Forum, the Council was inaugurating what would become a standing high-level policy dialogue among developed and developing countries and the whole spectrum of those engaged in development cooperation under the aegis of the United Nations. At its establishment in 2005, world leaders had assigned to the Forum the responsibility to review trends in development cooperation, promote consistency in the activities of the various development partners so that they would more effectively achieve all internationally agreed development goals, identify gaps in and obstacles to development cooperation, and coordinate United Nations activities and policies.

2. The Forum was being launched at a time when development cooperation was becoming dramatically more complex with the emergence of new actors and new approaches, making the realization of the global partnership for development all the more pressing. As the target date for the realization of the Millennium Development Goals fast approached, the Forum would be a powerful new mechanism spurring the development partners to maintain their commitments.

3. The Forum was in a unique position to help improve the quality of aid, coming as it did soon after the twelfth United Nations Conference on Trade and Development and its broad commitments to extend the benefits of globalization to people living in poverty, and some months before the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, that would be held in Doha to review progress in the core areas of the Monterrey Consensus and also before the Accra High-Level Forum on Aid Effectiveness. The various global and high-level preparatory meetings for the Development Cooperation Forum in 2007 and 2008 had focused on issues such as country-level management of development cooperation, trends in development cooperation, aid effectiveness, the expectations for the Forum of Member States and other stakeholders and local and national contributions to aid quality and effectiveness.

4. The particular added value of the Development Cooperation Forum was its multipartite nature, engaging the entire range of development actors: governments, intergovernmental and financial organizations, non-governmental organizations, the private sector and international and regional organizations. It had a unique voice because it reflected so many different perspectives and because it provided a platform for a frank and stimulating debate on issues. It had a heavy schedule of work, including both keynote/addresses and parallel interactive round tables on a wide range of development cooperation themes, as well as exchanges of views on national development strategies. A special policy dialogue on aid effectiveness would determine the input of the Forum to the Accra and Doha meetings. Thought would also have to be given to the future role the Forum should play in areas such as scaling-up aid, accountability, aid effectiveness, science and technology for development and the impact of international economic and development policies and global crises on development. The Forum should use its time to come up with bold, innovative ideas that would have a resounding impact.

Statement by the Secretary-General of the United Nations delivered by the Assistant Secretary-General for Policy Coordination and Inter-Agency Affairs

5. **Mr. Stelzer** (Assistant Secretary-General for Policy Coordination and Inter-Agency Affairs), delivering a statement on behalf of the Secretary-General, expressed the hope that the Forum would become the principal venue for the review of and dialogue on international development cooperation. With its inclusive participation, broad ownership and interactive discussions, and with its focus on effective support for the achievement of all the internationally agreed development goals, the Forum would occupy a special niche. Building on a number of preparatory events that had engaged a range of policymakers and practitioners, the Forum would be able to bridge the distance between the global discussions and the useful sharing of experience on how development cooperation worked at the country level.

6. The challenges already discernable a year earlier — the fragmentation and complexity of the international aid architecture, the inconsistency of aid allocations with agreed criteria, and the difficulties

countries were experiencing in assuming full ownership of their national development strategies — had been compounded more recently by spiralling food and energy prices and climate change. Clearly, the global partnership for development needed strengthening: donors should move quickly to scale aid up to the 0.7 per cent target and reverse the decline in official development assistance (ODA), and should do so in a predictable manner, enabling multi-year planning by programme countries.

7. The Forum could help by identifying the obstacles that prevented programme countries from realizing the full potential of development assistance. Although it was generally recognized that without national ownership of development policies there would be little progress towards sustainable development, many countries urgently required coordinated international support to build the needed capacities to negotiate, coordinate, manage and evaluate aid. Another obstacle was that development assistance did not always go to the countries or the sectors where it was most needed: the decreasing levels of aid for economic infrastructure and production, particularly in agriculture, were very worrisome. In addition, aid continued to be burdened with conditionalities, which undermined national autonomy, distorted aid allocations and did little to improve economic performance.

8. Financial and technical assistance would have a clear impact only if it was aligned with national priorities, preferably through direct budget support. Stronger mutual accountability was one route towards a more balanced relationship between donor and programme countries. There had been a significant global trend towards additional sources of development cooperation, especially South-South cooperation and private philanthropy. The voice of the Forum would have a special legitimacy, anchored as it was in the rich set of views and perspectives of the whole spectrum of development cooperation actors.

Introduction of the report of the Secretary-General (E/2008/69)

9. **Mr. Stelzer** (Assistant Secretary-General for Policy Coordination and Inter-Agency Affairs), introducing the report of the Secretary-General on trends and progress in international development cooperation, said that three key messages could be drawn from the report. First, none of the internationally agreed development goals had been put at the centre of either development cooperation strategies or national poverty reduction strategies, and aid did not go systematically where it was most needed. Aid for infrastructure and agricultural development, for instance, so critical for the reduction of poverty, had declined, even though the current food crisis underscored its importance in developing countries. The capacities of governments to coordinate, manage and oversee aid were also crucial for the effectiveness of aid.

10. Secondly, the quality of aid and its effectiveness had to be improved. The Paris Declaration on Aid Effectiveness had sought to identify the key principles of international development cooperation, such as country ownership, mutual accountability and management for results, and the development of monitorable indicators, but had not dealt with several issues of key concern to programme countries, such as conditionality, whose adverse impact was compounded by tied aid.

11. Thirdly, South-South and triangular cooperation were helping to diversify the sources of financing. Almost all South-South development cooperation was in the form of project finance and technical assistance, with little or no conditionality attached, making it more attractive than tied aid; and the bulk was provided in the form of concessional loans, diminishing the risk of unsustainable debt. The countries involved must better identify the lessons to be learned from South-South and triangular cooperation, while Southern donors must discuss policy more with the governments. It would also be important to agree internationally on a definition of what constituted aid, including concessional financing.

12. The Development Cooperation Forum should advance the work being done on each of those three sets of issues. It could analyse and foster exchange of experiences on how national development strategies, aid policies and allocation practices could better achieve sustainable results. It could help improve aid quality and effectiveness and strengthen mutual accountability at the global and country levels. It could launch processes to help assess the scale, scope and effectiveness of assistance provided by sources other than the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD), at the same time addressing major problem areas like fragmented aid-giving, the

proliferation of different aid disbursement procedures and the unpredictability of aid flows. Another important function of the Forum would be to serve as the place where the implications of emerging issues could be discussed. In all its efforts, the Forum should serve to strengthen the voice of programme countries, non-DAC development cooperation contributors and other partners such as parliamentarians and civil society, in an inclusive global dialogue on key issues.

Keynote address by the European Commissioner for Development and Humanitarian Aid

13. **Mr. Michel** (European Commissioner for Development and Humanitarian Aid), speaking on the theme, "A new vision for development cooperation in the twenty-first century", observed that despite the growth of an active global partnership for development following the adoption of the Millennium Development Goals, the extent to which the Goals had been achieved fell alarmingly below expectations. At the same time, it was encouraging that some countries — those with well-funded, consistent, activist and systematic policies — were managing notably to roll back poverty and make headway on health, education and equality between men and women. The vision was there, so was the knowledge of how to attain it. But neither donors nor developing countries — each with their own decisive responsibilities in the matter — were doing enough to bring it about.

14. The great gatherings of 2008 — the Accra High-Level Forum on Aid Effectiveness, the high-level event on the Millennium Development Goals to be held in New York and the Doha Review Conference on Financing for Development — must therefore mark a decisive turning point: 2008 must again give all involved a genuine opportunity to shift their strategies and refocus their development policies. Convinced of this, the member States of the European Union had 10 days earlier adopted extremely ambitious conclusions. In terms, first, of the volume of aid, the European Union had reconfirmed its financial commitments through 2010 and 2015, and member States were pledged to set up multi-year timetables showing the budgetary feasibility of the commitments. It should be noted that the European Union was by far the most important partner for the developing countries, contributing up to 60 per cent of global aid; and that it would be responsible, moreover, for 90 per cent of the increase in international aid during the period 2006-2010, as well as 90 per cent of the additional aid to Africa promised by the G8 Summit in 2005. Such a situation was hardly acceptable and was certainly not well regarded by public opinion in Europe. A more equitable sharing had become imperative.

15. The quantity of aid was not the only consideration; its effectiveness was an unavoidable central issue. The multiplicity of donors, the emergence of new actors, the complexity of the challenges, a bureaucratic tendency to follow increasingly dysfunctional rules and procedures had resulted in a technocratic, conservative approach that left little room for true policymaking. The increasingly complex international architecture of aid was inscrutable and aid was not dispensed realistically, forcing the partner countries to follow constantly changing rules depending on the donor. All donors agreed that there had to be a better division of work, but egocentric reflexes prevented them from doing so. The fragmentation and overlapping of aid projects was untenable, as was the proliferation of new vertical funds which rarely resulted in an overall increase of the actual funding. Official development assistance had been "balkanized", contrary to the universally proclaimed principles of appropriateness and alignment.

16. The Paris Declaration instead provided a clear framework for changing the way of doing things, and should make it possible to move finally from words to action. The Accra summit must be very political and very frank, and signal a clean break. It would fail unless four requirements were met: a division of work must be speedily achieved; donors must make use of the country systems as their ideal instrument for budgetary, sectoral and general aid; aid management must be results-based, which meant that one could not demand country ownership of development strategies and bold country policies while imposing a priori conditionalities that limited the Government's margin of action and policy choices; and lastly, aid must be made predictable, through multi-year planning of financial flows and realistic medium-term budgeting of aid disbursements.

17. An immediate rapid-impact response was also needed to achieve the MDGs. To that end, the heads of State and Government of the European Union had drawn up an agenda for action, based, inter alia, on the work of the MDG Africa Steering Group. The agenda established a number of midterm objectives for 2010,

aimed at achieving the MDGs by 2015, and identified examples of sectoral actions to be undertaken by the European Union in order to meet those midterm objectives, also detailing the amount by which European Union aid in the various sectors would need to be increased as a result.

18. The situation was urgent, since the developing world was experiencing two acute crises. The first one, a food crisis, was seriously affecting the world's poorest people, undermining the progress achieved in previous years. In response to that crisis, Europe had significantly increased its budget in the short term, earmarking US$ 500 million for 2008. Resources should also be made available in the medium term to help developing countries cope with the effects of rising prices and prepare for the next harvest. The challenge was to implement policies that would increase agricultural productivity and production over the long term. The ability of poor countries to meet that challenge hinged on a host of interacting factors, including the organization of production and distribution; access to land, inputs and seeds; energy and transport prices; and the effects of climate change. Debate on topics such as the advisability of promoting biofuels needed to be clarified without further delay, and the ideological deadlock on genetically modified organisms had to be broken.

19. The other crisis was that of climate change, on which immediate action was required. While the poorest countries were the hardest hit, the main contributors to the build-up of greenhouse gases were developed countries, and increasingly emerging countries, and it was therefore incumbent on those countries to take immediate, collective action, not only to spearhead efforts to reduce emissions but also to help poor countries adapt to climate change. Strong support from the countries most vulnerable to climate change would be essential if agreement were to be reached at the United Nations Climate Change Conference in Copenhagen. To that end, it was necessary to provide additional, innovative funding to help those countries adapt to climate change. He therefore renewed his call for the issuance of a global bond, based on the carbon market. Funds would be raised against future revenues from the auctioning of carbon emission rights in Europe to frontload assistance in combating climate change.

20. While he was frustrated by the international community's inability — at a time when its technical, financial and human resources were greater than ever before — to lift a large part of the world out of poverty, poverty that was made worse by the combined effect of climate change and the food crisis, he was also confident that the political will existed to fully grasp the challenges faced and take the qualitative leap forward required to meet them.

21. **Mr. Elwarfally** (Observer for the Libyan Arab Jamahiriya) said that in a globalized economy, the conceptual framework for development was lagging behind technology and its products, and major problems were still being tackled from the same conceptual basis as in the industrial age. It was therefore important for the Forum to convene scientists and scholars to work on redefining the development concept. Moreover, the Forum should have sole authority over an international development fund pooling the donations received from all countries, and donors should not be able to attach conditions to economic development aid. The international development fund should allocate economic assistance loans or donations according to criteria based on the new definition of development.

22. **Mr. Blake** (Observer for Antigua and Barbuda), speaking on behalf of the Group of 77, said that the Forum would make a real difference in strengthening the operations of the United Nations system, especially the Economic and Social Council, and that the meeting was important in setting the framework for the Development Cooperation Forum. One great advantage of the Forum was that it would bring together different perspectives, integrate those perspectives and address cross-cutting issues. He wished to know whether the statement by the European Commissioner for Development and Humanitarian Aid reflected a new comprehensive position on the part of the European Union, and if so, when it would be translated into operational action on the ground. Furthermore, he wondered how the Commissioner, having described so clearly the past difficulties regarding aid effectiveness, could conclude that the proposals for the Accra High-Level Forum on Aid Effectiveness did not need to be re-examined, even though that Forum was to focus on financial effectiveness rather than development effectiveness.

23. **Mr. Akram** (Pakistan) said that, while he agreed with most of the points raised by the Commissioner, if the Forum was to be effective, there needed to be clear parameters for its objectives. They should not be so

broad as to lead to incomprehension nor so narrow as to replicate the work of other United Nations bodies. He proposed that it should have four fundamental aims: to ensure the effective delivery and impact of development cooperation and international assistance; to focus on funding, both in terms of level and quality; to address governance at the country, donor community and United Nations level; and to achieve a harmonization of practices, budgets and priorities, avoiding duplication and building synergies. The United Nations system and Bretton Woods institutions taken together epitomized the "balkanization" of international development cooperation, and if coherence was not achieved, development cooperation would continue to flow in different directions and the "new donors" now emerging in the area of international development cooperation would be unlikely to join it, because their cooperation did not suffer from the conditionality that so often characterized the United Nations system and some bilateral programmes. It was necessary to take time to identify the problems, propose solutions and work both within and outside the system to achieve the results that everyone hoped to see.

24. **Mr. Adams** (New Zealand) said that his delegation agreed with the President that the Development Cooperation Forum should be a forum for robust debate rather than for formal statements and it would therefore be important to allow more time for discussion and agreement, which would require the focus and discipline to which the representative of Pakistan had referred. While agreeing with many of the points made by the European Commissioner for Development and Humanitarian Aid, including the frustration with the over-emphasis on managing risk in development programmes through bureaucratic approaches and the opinion that, though the Paris Declaration was not perfect, its fundamental principles should be preserved, he could not agree with the Commissioner on exceptionalism for agriculture; many developing countries would benefit greatly from more market approaches in that area. Lastly, he agreed with the Commissioner that the only way to address the proliferation of donors was to strengthen ownership by developing countries, and in that respect the budget support approach was key.

25. **Ms. Morris** (Society of Catholic Medical Missionaries), also speaking as a partner with Church World Service, said that the Development Cooperation Forum had a vital role to play with regard to governance of the international development cooperation architecture, since it was the only universal multilateral forum with the mandate, legitimacy and authority to discuss international development cooperation approaches and policy. No other institution or forum, including the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD) and the Bretton Woods institutions, could match the Forum as a neutral forum where development cooperation issues could be discussed, with a focus on developing countries. She therefore recommended that the Forum should hold workshops on focused issues between its biennial meetings and that policy papers should be developed.

26. **Mr. Michel** (European Commissioner for Development and Humanitarian Aid), responding to the comments of the observer for the Libyan Arab Jamahiriya, said that, while he respected the points made, it was clear that any donor country or body must be politically accountable before its parliament and public opinion for how the funds allocated were used. Development policy could not be treated in isolation from the normal rules of institutional democracy.

27. Regarding the question raised by the observer for Antigua and Barbuda, he stressed that his statement did not represent a new position. The European Union had committed itself to a development aid target of 0.56 per cent of GDP by 2010 and 0.7 per cent by 2015, and, following a reduction in European development aid in 2007, the Council of the European Union had reconfirmed those commitments and asked the European Commission to regularly assess the state of progress in achieving the targets.

28. Replying to the concerns raised by the representative of Pakistan, he referred to the four considerations mentioned in his statement. The need to ensure the effective delivery of aid related to the quantitative aspect, while the need to avoid duplication corresponded to the point made about the division of work, which he acknowledged was not always easy to achieve. When donors proposed to work together as a consortium, procedural, regulatory and even political difficulties were sometimes encountered, since each donor had its own priorities, agenda and history. Progress was however being made.

29. Referring to the Paris Declaration, he noted that, while there was room for further clarification and minor amendments to deal with specific concerns, the fundamental principles were perfectly adequate and needed to be maintained, since if the debate was reopened, no further progress would be made. The time had come for action, since best practice, and what should or should not be done, had already been established. Co-responsibility was also needed, since the governments of developing countries had major political responsibility for many development-related issues requiring internal decisions.

30. Referring to the points made by the representative of civil society, he agreed that the Forum was very useful for looking at issues in a new way. However, while the Forum had great legitimacy, so had OECD and any other democratically constituted body, and it would not therefore be right to say that one had more legitimacy than another.

The meeting rose at 4.30 p.m.